

# Medicare Messaging Checklist

*The battle to provide seniors with good, accurate information regarding the Medicare prescription drug plan will be tough in the year ahead. Currently, there is a lot of confusion and misinformation over how the drug plan affects seniors and the future of America's health care system. In order to minimize this information gap and eliminate much of the confusion, members must devote greater efforts to communicating the purpose and the benefits of this legislation.*

Please use the following checklist in determining whether you and your staff have reached your full Medicare messaging potential:

## Communications Checklist

- ✓ Host a town hall meeting for seniors and other constituents:
  - Contact HHS to have an Undersecretary accompany you and help answer questions;
  - Take out ads in your local newspapers to advertise the event;
  - Conduct franked phone calls to constituents 55 and older inviting them to come
- ✓ Write a weekly column or Op-Ed in a local paper
- ✓ Send a franked mail piece to all 55 and older registered voters in your district
- ✓ Create several 499s, each highlighting a different provision of the Medicare plan, and send to constituents who have written into your office on health care.
- ✓ Hold a women's health care forum and highlight how women in particular benefit from the legislation
- ✓ Schedule an editorial board meeting with a local paper
- ✓ Devote a section of your website to explaining the drug plan:
  - Include the 1-800-MEDICARE hotline that seniors can call with their questions;
  - Provide a link to the online drug calculator on [GOP.gov](http://GOP.gov)
- ✓ Set up a radio actuality
- ✓ Highlight the plan in your Chamber, Lion's club, Lincoln Day, etc....speeches
- ✓ Visit a local senior center:
  - Join them for an activity or a meal;
  - Answer questions they may have about Medicare or other issues

# **THE BIPARTISAN PRESCRIPTION DRUG PLAN**

# Rx



AN INFORMATIONAL PACKET  
FOR HOUSE REPUBLICAN OFFICES

**House Republican Conference**  
Deborah Pryce, Chairman



# The Bipartisan Prescription Drug Plan

A Better Medicare is  
Closer Than You Think



## Medicare Prescription Drug Savings Calculator

This calculator allows Medicare beneficiaries to estimate their out of pocket spending under the new prescription drug benefit signed into law on December 8, 2003. For beneficiaries currently lacking any prescription drug coverage, the calculator estimates the following savings. (Note: Actual savings may vary)

Enter the information below and click on the "Calculate" button

|  |  |  |
|--|--|--|
| Enter your individual annual drug costs:<br><input type="text" value="\$6,000"/> | Enter your annual household income:<br><input type="text" value="\$25,000"/> | Are you married?<br><input type="text" value="No"/> <input type="checkbox"/> |
|--|--|--|

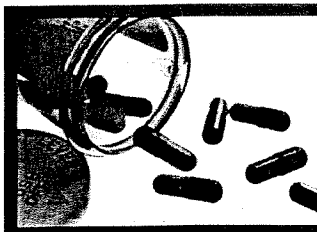
### What Seniors Can Expect to Spend

|   |   |
|---|---|
| What You'll Pay Under the New Benefit<br><input type="text" value="\$3,600"/> | What You'll Pay Plus Estimated \$35 per Month Premium<br><input type="text" value="\$4,020"/> |
|---|---|

To access the Savings Calculator please visit:  
[www.gop.gov/medicare/gopdrugcalc.htm](http://www.gop.gov/medicare/gopdrugcalc.htm)



House Republican Conference, Deborah Pryce, Chairman  
January 2004



# A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

## Medicare Plan Basic Elements

### Immediate Savings for Seniors Through Prescription Drug Discount Card:

- Available within six months of becoming law for 2004-2005.
- Swipe card used at point-of-purchase for upfront discounts.
- Provides significant, immediate savings up to 25% off what seniors currently are paying according to HHS.

### Universally Available Prescription Drug Benefit:

- Guaranteed Benefit begins in 2006.
- Voluntary, so seniors can choose to participate if they want.
- Option available for seniors to simply add drug coverage to traditional fee-for-service Medicare without any loss of current benefits.
- \$35 monthly premium, \$275 annual deductible.
- Medicare pays 75% of drug costs up to \$2,200.
- Catastrophic Coverage guarantees Medicare pays 95% of drug costs over \$3,600 annual out-of-pocket expenses.
- Provides significant savings up to 50% off of what seniors without coverage are currently paying today according to HHS.

### Low-Income Assistance to Help Neediest Senior Citizens:

- Comprehensive coverage for low-income single seniors with annual income under \$12,900 and low-income senior couples under \$16,600.
- In 2004-2005, \$600 annual subsidy combined with Rx Discount Card savings to help cover out-of-pocket costs.
- Beginning in 2006, Comprehensive Pharmaceutical Coverage will be offered, with no gap, for \$2 generic and \$5 name-brand prescription co-payment.

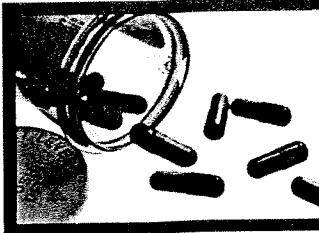
### Preventive Care & Disease Management:

- Free "Welcome to Medicare" physical exam to learn upfront a senior's health status and future care needs.
- New cholesterol and blood lipid screenings added to basic benefits.
- New disease management programs to keep seniors healthy.

### Health Savings Accounts:

- Allow individuals to set aside tax-free savings for lifetime health care needs.
- Savings are portable, from job-to-job and into retirement.
- Contributions can be made by individuals, employers and family members
- Allow annual tax deductible contributions of up to \$2,500 for singles and \$5,050 for families.
- Individuals age 55 and older can make catch-up contributions of up to \$1,000.
- Savings can be used for qualified medical expenses, including retiree health insurance premiums, Medicare expenses, prescription drugs, long-term care services and insurance.

Compiled by the Office of the Speaker 202-225-2800



# A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

## Questions and Answers

### *Why is this bipartisan plan good for seniors?*

In a word—savings. Forty years ago, medications were a minor component of seniors' health care costs. Today, they account for nearly 15 percent of the average Medicare beneficiary's health care consumption. For nearly one in four of America's 40 million seniors, drug coverage is not an option. For millions more, there is no protection from runaway drug costs that threaten their financial security. While Medicare pays for hospitalizations and doctor's visits, it doesn't pay for prescription drugs.

Enacting this plan means that seniors will now have help paying for the medications that keep them leading healthy and active lives. From the moment seniors sign up for the coverage, they will receive immediate savings on their overall drug bills. Also, the plan is 100% voluntary and will be offered to every Medicare recipient. But if senior like the traditional Medicare plan they're enrolled in now, they can remain there and see no changes in their coverage.

### *How quickly will drug discounts and drug coverage benefits kick in for seniors?*

Less than six months after President Bush signs the historic Medicare-Prescription Drug bill into law, through 2006 when full drug coverage kicks in, more than 40 million senior and disabled Americans using Medicare today will be able to realize significant savings of about 25%—or even more—off what they currently pay for pharmaceuticals thanks to a newly created *Prescription Drug Discount Card*.

While more than 90% of seniors fill at least one prescription each year and the typical senior currently spends \$1,460 annually on her life-saving medicines, a 25% discount means more than \$300 in savings. By helping seniors on fixed incomes keep more money in their pockets, this new *Prescription Drug Discount Card* quickly becomes a real boost for folks who need it the most.

For low-income seniors, the *Rx Discount Card* has added advantages in 2004 and 2005. The new card will provide an annual, upfront pharmaceutical credit of \$600 per low-income beneficiary for singles with yearly incomes under \$12,900 and senior couples under \$16,600. This assistance, combined with drug card discounts, will help low-income seniors cover out-of-pocket costs until the full drug benefit begins in 2006.

***What will recipients have to do to begin receiving these discounts and benefits?***

While this new *Rx Discount Card* will be voluntary, America's senior citizens will still need to apply for it – most likely by postal mail, the Internet, or a toll-free telephone number. A coordinated education program is being planned by Medicare to attract seniors and make sure our nation's elderly know all of the options available to them under the new discount card.

And just like other discount club cards Americans use everyday, the new *Prescription Drug Discount Card* will be swiped at the point of purchase at one's local pharmacy. This way, senior citizens can immediately and easily take advantage of the *Rx Discount Card's* benefits as their savings are automatically deducted from their medicine costs.

***How will the drug discounts work?***

Under our bipartisan plan, for the first time, seniors won't have to pay retail prices for their prescription drugs. By giving Medicare beneficiaries real bargaining power through group purchasing discounts and pharmaceutical rebates, seniors can lower their drug bills up to 25 percent or more. Just like Costco discounts or the current Together Rx discount program, seniors will get immediate savings at their retail pharmacy. Savings from these programs are 20 to 40 percent already. When 40 million seniors sign up for a drug card, savings will be even greater.

Because of our public-private partnership, where the government shares in covering the costs of the sickest seniors, health plans will be able to offer seniors a coverage plan that best suits their needs and pocketbooks. Our plan relies on Medicare and health plans to negotiate the best prices for the drugs you need, not some government bureaucracy in Washington that may not offer the same drug your doctor prescribed.

***What are the actual "savings" for seniors?***

Seniors could save 25% or more through the prescription drug discount card program. Seniors will save much more after the full drug benefit is available in 2006. For low-income seniors, the benefit covers all drug spending after a \$1, \$2 or \$5 co-payment.

***What new preventive care features are added to Medicare in your bipartisan plan?***

A new physical, cholesterol screening, and disease management program will be available, ensuring that seniors better understand their health status and are able to combat debilitating diseases like stroke, heart attack and aneurisms. These new benefits will keep seniors healthy and out of the hospital...

***Are seniors forced to participate in this new Medicare plan to get prescription drug coverage?***

Not at all. The hallmark of our bipartisan plan is choice – if you like your current traditional Medicare, you can choose to remain there and you will be eligible for the same discounts and coverage for your medications.

But Medicare will also offer a range of new benefits for those who want more comprehensive health services such as annual physicals, disease management, and access to new technologies that traditional Medicare does not cover. Millions of Medicare enrollees currently enjoy these features, and these new Medicare Advantage plans will offer them the continued options that they have come to expect.

***Will this new Rx benefit mean higher premiums?***

Like any private health plan that offers a new benefit, premiums may rise to offset some of those costs. The Congressional Budget Office (CBO) estimates the average premium for this new drug coverage will be approximately \$35 per month in 2006—about a dollar a day. Because the premium is not set in the statute, plans will compete on the premium—the more efficient plans are at negotiating drug discounts, the lower the plans' premium could be. That's a small price to pay when considering the peace of mind a senior is buying. Finally, the bipartisan plan includes protection from skyrocketing drug costs for a chronic illness through catastrophic coverage.

***How does your plan help low-income seniors?***

For those seniors below \$13,900 in annual income (135% of poverty), their premiums would be paid for by Medicare in advance. When seniors go to fill a prescription at the pharmacy, they would pay a minimal co-payment (Between \$1 to \$5 per prescription) and leave with their medicines. There is no gap in coverage for these seniors, and Medicare will cover their premiums.

According to the Department of Health and Human Services (HHS), nearly 14 million seniors currently on Medicare would qualify for full coverage under Medicare. That means one in four seniors will pay no more than \$5 for every prescription they fill. Not a penny more!

For those seniors whose income is between \$13,900 and \$15,400 (135% and 150% of poverty), part of their premiums and co-payments would be covered under Medicare, and they would simply pay the difference in order to receive coverage.

***What will this do to beneficiaries who already have drug coverage?***

Absolutely nothing. Our plan is 100% voluntary. If you like the prescription drug coverage you currently have, you can choose to stay with your original plan and not pay one dime more. It's that simple.

***How do you ensure employers won't drop existing coverage?***

For years, exploding health care costs have forced employers to drop health coverage for their retirees and have been doing so at alarming rates. In 1993, 40% of employers offered health coverage to Medicare-eligible retirees, but today only 27% offered coverage in 2002.\* That means the burden to the public system will only get heavier. Employers want to keep offering

health care coverage to their former employees, but need help, and the Medicare legislation will allow businesses to continue to afford covering retirees.

Program reforms to reduce the cost of Medicare will help employers by reducing the increases in the hospital insurance payroll taxes and general revenue taxes. Because Medicare is more efficient, employers benefit.

A significant feature of this bipartisan plan for employers and retirees is the “wraparound” or comprehensive aspect. Employers today are able to offer current retirees health benefits in addition to what Medicare covers. This comprehensive coverage lets retirees take advantage of their former employer’s health plans as well as the benefits Medicare offers.

Under the new law, employers will be given subsidies to continue providing retirees their existing health care. In addition, employers will be allowed to fold into their retiree coverage the new features of Medicare – to encourage employers to continue offering retiree health insurance. (\*Mercer's 2002 National Survey of Employer-Sponsored Health Plans.)

***What about my other health care under Medicare? Will I lose that if I don’t choose to enroll?***

Absolutely not. If you are a current Medicare beneficiary, you will receive the same medical care from your doctor or local hospital whether or not you choose to enroll for this new prescription drug benefit. Nothing about the health care you currently receive will change.

***Are you privatizing Medicare?***

No, that’s a loaded term conjured up to scare seniors into thinking Medicare will cease to exist. Think about the following. No doctor today works for the federal government, yet they see Medicare patients all the time. When a senior visits a local hospital for x-rays, the technicians aren’t government bureaucrats, but they still welcome Medicare patients. Does that mean that Medicare today is “privatized” because doctors and hospitals work for themselves? Of course not. The same will be true when a beneficiary visits their local pharmacy.

Obviously, 40 million seniors and the disabled under Medicare have different prescription drug needs. Some fill as many as 18 prescriptions a month, while others may fill only one or two a year. With such a changing market, it’s often difficult for health plans to predict costs and write a good policy. That’s why our plan takes the good coverage that private health insurers offer and builds on that by acting as a partner, or “reinsurer,” for the sickest Medicare patients to control costs.

Studies show that a small proportion of seniors consume a majority of prescription drugs, making that segment difficult to insure and driving up costs for everyone. Our plan calls for the government to share in insuring the sickest seniors, thereby making risk more manageable for private insurers. Health plans would still share responsibility in covering the sickest seniors in order to control costs and keep premiums low.



***So insurance companies, not Medicare, would offer this new benefit?***

Prescription drug coverage would be universally offered to every beneficiary under Medicare and very much a part of the current program. Just like Medicare+Choice, which offers seniors a wide new range of health care options, such as mammograms and routine checkups, Medicare will now be able to offer seniors and the disabled a new benefit that will lower their drug prices.

***Will insurance companies offer these plans?***

We think they will, and we give them the flexibility to write a plan that works. That is the key to our proposal: that different plans will write different coverage options for different people – just like Members of Congress and federal employees have.

***So you add a new benefit under Medicare, but isn't the whole program going bankrupt?***

When Republicans took control of the House in 1994, Medicare was due to go bankrupt in 2001. But because of the actions we took in 1997 to preserve and protect the program, Medicare is now safe for another generation until 2026. However, Medicare will begin to run deficits in less than nine years—by 2012. So while our plan recognizes the need to modernize Medicare with a prescription drug benefit, it also includes structural improvements to ensure the program's long-term solvency. It makes little sense to add a comprehensive new benefit to Medicare while jeopardizing the overall health of the program.

***Aren't you putting traditional fee-for-service Medicare at risk under your scheme?***

No. We are strengthening the Medicare program by keeping seniors healthy through prescription drug coverage and other reforms. The program, as is, is fiscally unsustainable. We need to modernize the program while ensuring beneficiaries have access to the highest quality medical care at the best price. Without the new drug benefit, the Medicare program has \$13.2 trillion in unfunded liabilities. The threat to Medicare is unconstrained program growth. Adding a new \$400 billion benefit without structural reform makes no sense and puts seniors at risk. This bill also cracks down on fraud and abuse to help save Medicare.

***How do you explain the gaping hole in coverage between \$2,250 where the benefit ends and \$5,100 where catastrophic coverage kicks in?***

The typical senior spends \$1,460 annually for their medicines. Medicare would also pay for 95% of the catastrophic expenses for those with expenses greater than \$5,100. Seniors with drug expenses between \$2,250 and \$5,100 would receive drug discounts of 25% or more. So even in the so-called "gap," seniors receive a benefit. Closing the gap would cost around \$500 billion, and that's not feasible under the \$400 billion Congress has set aside for the Medicare drug benefit.

***Why are you dropping “guaranteed coverage” for seniors in rural areas where it’s particularly cost-prohibitive to offer a choice of plans?***

The goal is to ensure there are plans available for all seniors whether they live in New Mexico, Nebraska or New York. Every area of the country will provide prescription drug coverage for seniors—even those beneficiaries who remain in the traditional fee-for-service program.

***Won’t millions of low-income seniors fall in a “no coverage gap/zone” when states drop them from Medicaid and they cannot afford the Rx benefit or drug card costs?***

Our bill treats Medicare beneficiaries as seniors first and low-income, second. As such, it makes the Medicare prescription drug benefit “primary” for low-income senior citizens, just as Medicare is the primary insurer for every other benefit (hospital, physicians, skilled nursing facilities, etc.). This ensures all low-income individuals receive uniform assistance regardless of where they live. Further, the bill allows states to offer additional assistance if they choose.

***Are you forcing seniors into HMOs?***

Seniors are not being forced into any plan. The final choice always rests with them. The bill gives seniors the opportunity to have their health care delivered the way most of America today receives health care by giving seniors more choices, allowing them to select a health care plan that best fits their needs – *including staying in their current benefits program.*

***Why are you including more tax cuts for the rich in an unrelated prescription drug benefit bill?***

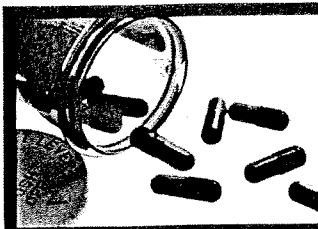
Too many Americans struggle to meet the rising costs of health care, and too many Americans are without health insurance entirely. We want families to have better access to quality health care and save for their medical costs. And we want to empower individuals to choose what’s best for them. That’s why we’re working to create new savings vehicles where families can make tax-deductible contributions that can be used to pay for health care. These accounts will help begin a trend of saving for long-term health care needs in an individual’s retirement years.

***Has AARP endorsed your plan?***

Yes, the group representing 35 million members has announced support for the Medicare agreement.

***What’s the American Medical Association’s position?***

They support the plan.



## A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

### *Just Do the Math: How the Rx Drug Benefit Adds Up for Seniors*

According to the Congressional Budget Office, a typical senior today spends \$1,460 annually on prescription drugs. Here is how the final Medicare plan would lower their out-of-pocket costs after the 20% negotiated discount.<sup>1</sup>

**For a senior currently spending \$1,285 annually, or \$1028 after the 20% negotiated discount:**

|                                 |   |
|---------------------------------|---|
|                                 | Out of Pocket                             |
| \$35/month                      | \$420                                     |
| \$250 deductible                | \$250                                     |
| 25% of \$778                    | \$194.50                                  |
| <b>Total out of pocket cost</b> | <b>\$864.50 vs. \$1,285 = 33% savings</b> |

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**For a senior currently spending \$1,460 annually, or \$1,168 after discount  
(Note: \$1,460 represents annual expenses for a typical senior):**

|                                 |   |
|---------------------------------|---|
|                                 | Out of Pocket                             |
| \$35/month                      | \$420                                     |
| \$250 deductible                | \$250                                     |
| 25% of \$918                    | \$229.50                                  |
| <b>Total out of pocket cost</b> | <b>\$899.50 vs. \$1,460 = 38% savings</b> |

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<sup>1</sup> CBO assumed a significant pharmacy cost management factor, which means that beneficiaries with no prior coverage would have lower drug spending through a combination of drug discounts, lower pharmacy fees, and better utilization.

**For a senior spending \$1,891\* annually, or \$1,512.80 after discount:**

|                                 |   |
|---------------------------------|---|
|                                 | Out of pocket                             |
| \$35/month                      | \$420                                     |
| \$250 deductible                | \$250                                     |
| 25% of \$1,262.80               | \$315.70                                  |
| <b>Total out of pocket cost</b> | <b>\$985.70 vs. \$1,891 = 48% savings</b> |

\*Median Rx spending in '06 according to CBO

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**For a senior currently spending \$2,500 annually, or \$2,000 after discount:**

|                                 |   |
|---------------------------------|---|
|                                 | Out of Pocket                               |
| \$35/month                      | \$420                                       |
| \$250 deductible                | \$250                                       |
| 25% of \$1,750                  | \$437.50                                    |
| <b>Total out of pocket cost</b> | <b>\$1,107.50 vs. \$2,500 = 56% savings</b> |

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**For a senior currently spending \$5,000 annually, or \$4,000 after discount:**

|                                 |  |
|---------------------------------|--|
|                                 | Out of Pocket                            |
| \$35/ month                     | \$420                                    |
| \$250 deductible                | \$250                                    |
| 25% of \$2,000                  | \$500                                    |
| \$1,750 out of pocket costs     | --                                       |
| <b>Total out of pocket cost</b> | <b>\$2,920 vs. \$5,000 = 42% savings</b> |

**For a senior spending \$10,000 annually, or \$8,000 after discount:**

|  |  |
|--|--|
|  | Out of Pocket  |
| \$35/month                                   | \$420  |
| \$250 deductible                             | \$250  |
| 25% of \$2,000                               | \$500  |
| \$2,850 out of pocket costs                  | --   |
| Spending after catastrophic<br>5% of \$2,900 | \$145  |
| <i><b>Total out of pocket cost</b></i>       | <hr/> <i><b>\$4,165 vs. \$10,000 = 58% savings</b></i> |

## SENIOR SAVINGS TALKING POINTS



# A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

## Seniors Save Under Bipartisan Prescription Drug Plan!

*Courtesy of the White House*

**On average, seniors would save about HALF on their medications!**

Under the bipartisan agreement, seniors now paying the full retail price for prescription drugs will be able to cut their drug costs roughly in half, saving more than 50% on what they pay for prescriptions:

| Seniors Paying Full Retail Prices<br>with <u>Monthly</u> Rx Bills of... | Will Have <u>Annual</u><br>Rx Savings of... | Reducing Their <u>Annual</u><br>Rx Spending by... |
|---|---|---|
| \$100   | \$773                                       | 64%   |
| \$200   | \$1,733                                     | 72%   |
| \$300   | \$2,220                                     | 62%   |
| \$400   | \$2,460                                     | 51%   |
| \$500   | \$2,700                                     | 45%   |
| \$600   | \$3,567                                     | 50%   |
| \$700   | \$4,719                                     | 56%   |
| \$800   | \$5,871                                     | 61%   |

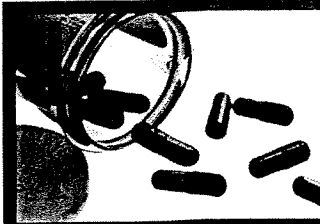
*Note: assumes 20 percent cost management savings.*

### Comparison of Possible Cost-Sharing for Drugs Seniors Use Under the Bipartisan Agreement

| Selected Popular Drugs for<br>Seniors |  | Plan for Medicare      |   |  |
|---------------------------------------|--|------------------------|---|--|
| Drug Name                             | 2002 Retail<br>Price for 30<br>Tablets * | Discounted<br>Price ** | Beneficiary's 25<br>Percent<br>Coinsurance*** | Beneficiary's 5 Percent<br>Coinsurance**** |
| Lopressor 100mg                       | 45.99                                    | 36.79                  | 9.20  | 1.84                                       |
| Imdur 30mg                            | 48.89                                    | 39.11                  | 9.78  | 1.96                                       |
| Lipitor 20mg                          | 108.65                                   | 86.92                  | 21.73   | 4.35                                       |
| Proscar 5mg                           | 82.59                                    | 66.07                  | 16.52   | 3.30                                       |
| Celebrex 200mg                        | 86.28                                    | 69.02                  | 17.26   | 3.45                                       |
| Zyrtec 10mg                           | 69.52                                    | 55.62                  | 13.91   | 2.78                                       |
| Vanceril 42mcg                        | 51.05                                    | 40.84                  | 10.21   | 2.04                                       |
| Norvasc 5mg                           | 34.94                                    | 27.95                  | 6.99  | 1.40                                       |
| Fosamax 70 mg, 4<br>pills             | 80.45                                    | 64.36                  | 16.09   | 3.22                                       |
| Zolof 100mg                           | 78.96                                    | 63.17                  | 15.79   | 3.16                                       |

NOTES: \* Price data from "Shopping Smart for Prescription Drugs: A Guide to Discounts on Medication." Chicago Department of Public Health, Office of Managed Care. Prices are taken from telephone inquiries to a large chain pharmacy in September 2002. Future prices may be different. \*\* Calculations assume a 20 percent cost management savings. Actual discounts will vary from drug to drug and plan to plan. \*\*\*The Medicare bipartisan agreement provides coverage for 75 percent of enrollees' prescription expenses after a \$250 deductible is met, up to \$2,250 of total annual spending. Most beneficiaries incur less than \$2,250 annually. \*\*\*\*The Medicare bipartisan agreement provides coverage for 95 percent of enrollees' prescription expenses after a beneficiary's out-of-pocket expenses reach \$3,600 annually.

## LOW INCOME ASSISTANCE

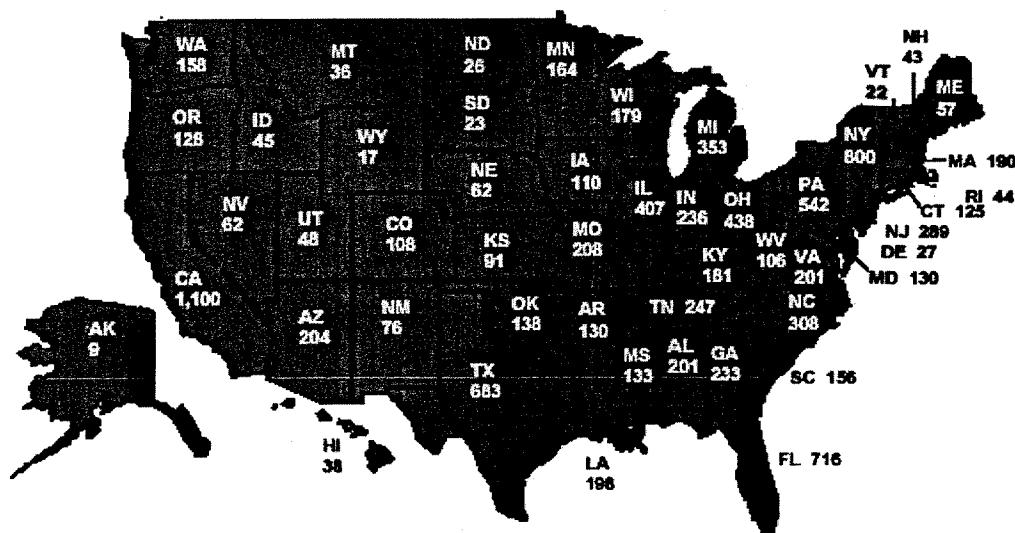


# A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

## Helping Seniors Who Need It the Most

*One point of widespread agreement in the debate over Medicare is that the greatest assistance should be targeted to the seniors who need it the most. The bipartisan prescription drug package incorporates this fundamental principle, helping America's low income seniors the most.*

### Medicare Beneficiaries Who Will Pay No More Than \$5.00 Per Prescription Under Compromise Agreement (In Thousands)



**Approx. 10 million Low-Income Medicare Beneficiaries Will Pay No  
More Than \$5.00 Per Prescription**

Source: Muse & Associates estimates, 11/17/2003. To develop these estimates, Muse & Associates simulated the methodology that has been developed by the Congressional Budget Office (CBO) and incorporated data from the Medicare Current Beneficiary Survey conducted by the Office of the Actuary, CMS, HHS and U.S. Bureau of the Census poverty data for the elderly.

### 2004 and 2005:

- The bipartisan Medicare prescription drug package provides IMMEDIATE help for the most needy seniors through a prescription drug discount card.
- The Rx discount card will provide immediate discounts of up to 25% on medications.



- In addition, for seniors with incomes under 135% of the poverty level (\$12,900 individuals; \$16,600 couples\*), the plan provides an immediate \$600 to purchase medicines.
- These low income seniors will be able to access the \$600 in assistance through the Medicare-endorsed, prescription drug discount card, "drawing down" from the \$600 to purchase medicine.

## 2006 and Beyond:

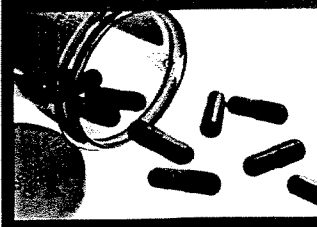
Once the full benefit is phased into Medicare, low income seniors will receive an even more generous benefit:

- ***Seniors below 100% of poverty (\$10,300 Individual; \$13,250 Couple\*\*):***
  - No deductible.
  - No premium.
  - Pay a low \$1 co-payment for generic medications, \$3 for brand name.
  - No gaps in coverage.
- ***Seniors below 135% of the federal poverty level (\$13,900 individual; \$17,900 couple):***
  - No deductible.
  - No premium.
  - Pay a low \$2 co-payment for generic medication, \$5 for brand-name.
  - No gaps in coverage.
- ***Seniors between 135% and 150% of the federal poverty level (\$13,900 to \$15,400 individual; \$17,900 to \$19,900 couple):***
  - Modest deductible of \$50.
  - Sliding-scale premium assistance, providing more assistance to the poorest seniors.
  - 15 percent co-insurance up to the catastrophic level (\$3,600).
  - Above the catastrophic level, pay a low \$2 co-payment for generic medications, \$5 for brand-name.
  - No gaps in coverage.

\*Poverty Level Numbers based on 2003 CBO data.

\*\*Poverty Level Numbers based on 2006 CBO projections.

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## A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

### Why Women Need the Medicare Rx Drug Bill

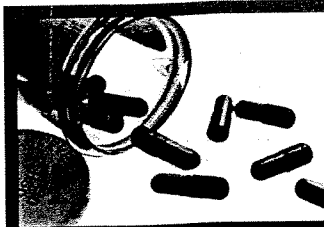
#### *The Seniors with the Greatest Need...*

- \* Senior women live longer than men by an average 5.4 years [*Nat. Center for Health Stats. 2000*]
- \* Senior women are a majority (57%) of the Medicare population — 72% of seniors aged 85 and older are women [*Medicare Current Beneficiary Survey, 1999*]
- \* Senior women have much less income than men, with 43 percent of the income that men do
  - \* Median income in 2000: \$19,168 for senior men, \$10,899 for senior women [*Admin. on Aging*]
  - \* Over half of senior women will have incomes less than 135% federal poverty level
  - \* Over two-thirds of beneficiaries with incomes below the federal poverty level are women
- \* Senior women spend more for their health care — for senior women, 20% of their out of pocket spending is on health care (compared to 17% of men). [*July 2000 study*]
- \* Senior women suffer from more chronic illnesses, with 70% of women in Medicare suffering from 2 or more chronic illnesses (compared to 60% of men) [*Medicare Current Beneficiary Survey, 1999*]
  - \* 63% of women in Medicare suffer from Arthritis (compared to 49% of men)
  - \* 23% of women in Medicare suffer from Osteoporosis/Broken Hip (compared to 6% of men)
  - \* 57% of women in Medicare suffer from Hypertension, which leads to Heart Disease (compared to 52% of men)

***... will receive the greatest benefit.***

- \* **Half of senior women will receive complete drug coverage** Because more than half of women in Medicare have incomes less than 135% of the federal poverty level, the Medicare prescription drug bill will, for a \$2 to \$5 co-pay, cover their premium, deductible, and cost-sharing, without any exposure to a gap in coverage.
- \* **Senior women will receive the most help from Medicare bill** because they pay more nearly 18 percent more out-of-pocket for their health care with less income, and senior women are exposed to higher costs and more chronic illnesses than men.
- \* **Prescription drug discount card will save senior women** as much as 25% off their drug costs
- \* **Medicare drug benefit in 2006 will save senior women** as much as 60% off their drug costs
- \* **\$3,600 catastrophic cap will give senior women** the peace of mind of knowing that a catastrophic illness will not bankrupt them.
- \* **Disease management will help senior women** prevent the progression of chronic illnesses so, for example, a diabetes diagnosis does not result in expensive, life-changing treatments such as dependence on dialysis or loss of limbs.

***Compiled by the House Republican Conference and the Office of Rep. Nancy Johnson (CT)***



## A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

### Saving States Billions, Providing Better Coverage

#### *Assuming the Cost of Prescription Drugs for Low-Income Senior Citizens*

- Presently, “dually eligible” seniors—seniors with low incomes who qualify for both Medicare and Medicaid—receive prescription drug coverage from state Medicaid programs.
- This situation places all financial responsibility squarely on states’ shoulders—many pay up to 50% for this coverage, representing one of the fastest growing expenditures for states.
- Under this plan, a large portion of the financial burden for states is shared by the Federal government as Medicare beneficiaries are considered as seniors first and low-income second.
- As a result, Medicare, over a ten year period, will partially assume these costs by providing Medicare’s standard prescription drug benefit for low-income seniors.

#### *Assisting States that Already Have Prescription Drug Programs*

- States that have prescription drug programs will receive the *most assistance on their costs as Medicare becomes the primary payer for these seniors.*
- The savings incurred by states from the Medicare drug benefit can be used to extend their assistance to persons with incomes above 150% of poverty, such as 200% or even 300% of poverty.
- The state could also use those savings to fill in the costs for the co-payments or lowering the catastrophic cap.
- A \$125 million fund would be established to help states transition to the new structure and coordinate with private plans. The fund is mandatory, not discretionary.

#### *Supplementing State Employee Retiree Prescription Drug Plans*

- State employee retirement plans—public teachers’ unions, transportation workers and police officers—would receive the 28 percent subsidy offered to all private retiree plans if they have benefits as generous as the Medicare benefit.
- This incentive to continue coverage translates into billions of dollars in assistance over the next decade.

## EMPLOYER COVERAGE TALKING POINTS

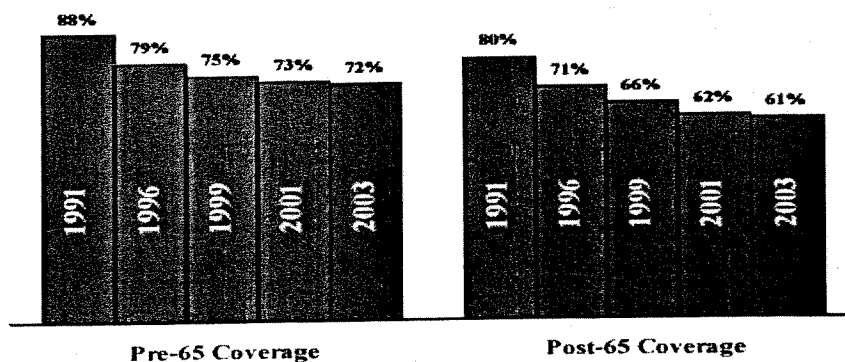


# A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

## Rx Plan Enhances Employer Coverage

*Many retirees and near-retirees who receive prescription drug coverage through an employer are concerned that passage of the bipartisan Medicare plan will erode their existing coverage. These fears are unfounded. Under the package, employers are more likely to redesign their retiree drug benefits to supplement the Medicare benefit – just as they now do with medical benefits covered by Medicare – and thus continue to provide generous coverage to their retirees.*

### Percentage of Large Employers Offering Retiree Medical Coverage



Source: Hewitt Associates SpecBook™ database of about 1,000 large employers with more than 1,000 employees.

#### ***The Facts:***

- About one-third of Medicare beneficiaries receive coverage for prescription drugs from their former employers.
- Rapidly increasing health care costs are forcing employers to drop or scale back coverage.
  - In 1991, 80% of large employers provided their senior retirees with health benefits.
  - In 2003, that number slipped to 61%.

-Page 1 of 2-

- Costs for retiree health coverage rose 16.0% in 2002 and prescription drug expenditures increased by 11.8% last year.
- Most employers predict double-digit health inflation well into the future.
- Absent any assistance, 12 million current retirees are at risk of losing coverage.

***The Bipartisan Medicare Prescription Drug Package STOPS the Trend***

- The non-partisan Congressional Budget Office (CBO) has said that no retiree will go without coverage as a result of the plan.
- The package helps employers retain and enhance their prescription drug coverage so that beneficiaries can keep their retiree coverage. Absent this assistance, many more seniors will lose coverage.
- Under the plan, employers receive a generous subsidy for 28 percent of drug costs between \$250 and \$5,000.
- This subsidy is excludable from taxation, totaling approximately \$18 billion in additional employer incentives.
- In addition, the bipartisan Medicare package will maintain maximum flexibility for employer plans. Employers will not be required to change any aspect of their plan(s) in order to receive the subsidy.
- Employers will also benefit from Hatch-Waxman reforms, which accelerate the entry of cheaper generic drugs to the market, and thereby reducing retiree health costs.

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## HEALTH SAVINGS ACCOUNTS



# A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

## Lifetime Savings for Health Care

*The bipartisan prescription drug agreement establishes Health Savings Accounts (HSAs), tax-advantaged savings accounts that can be used to pay for medical expenses incurred by individuals, their spouse or their dependents. Such savings opportunities will help all Americans plan ahead to ensure a lifetime of health care security.*

### Benefits of HSAs:

- *Containing Rising Medical Costs for All* – HSAs will encourage individuals to buy health plans that better suit their needs so that insurance kicks in only when it is truly needed. Moreover, individuals will make cost-conscious decisions if they are spending their own money rather than someone else's.
- *Tax-free Savings for All* – Contributions are pre-tax, earnings are tax-free, and distributions are tax-free if used to pay for qualified medical expenses.
- *Flexibility for Workers* – Assets belong to the individual; they can be carried from job to job and into retirement.
- *Assistance for Seniors* – HSAs can be used during retirement to pay for retiree health care, Medicare expenses and prescription drugs. HSAs will provide the most benefit to seniors who are unlikely to have employer-provided health care during retirement. During their peak saving years, individuals can make pre-tax catch-up contribution

### How HSAs Work:

#### *During the Working Years...*

- Workers under the age of 65 can accumulate tax-free savings for lifetime health care needs if they have qualified health plans.

-Page 1 of 2-

- A qualified health plan has a minimum deductible of \$1,000 with a \$5,000 cap on out-of-pocket expenses for self-only policies. These amounts are doubled for family policies.
- Preventive care services are not subject to the deductible.
- Individuals can make pre-tax contributions of up to 100% of the health plan deductible. The maximum annual contribution is \$2,600 for individuals with self-only policies and \$5,150 for families (indexed annually for inflation).
- Pre-tax contributions can be made by individuals, their employers and family members.
- Individuals age 55 - 65 can make additional pre-tax "catch-up" contributions of up to \$1,000 annually (phased in).
- Tax-free distributions are allowed for health care needs not covered by the insurance policy. Tax-free distributions can also be made for continuation coverage required by Federal law (i.e., COBRA), health insurance for the unemployed, and long-term care insurance.
- The individual owns the account. The savings follow the individual from job to job and into retirement.

### ***During the Retirement Years...***

- HSA savings can be drawn down to pay for retiree health care once an individual reaches Medicare eligibility age.
- Catch-up contributions during peak saving years allow individuals to build a nest egg to pay for retiree health needs. Catch-up contributions allow a married couple to save an additional \$2,000 annually (once fully phased in) if both spouses are at least 55.
- Tax-free distributions can be used to pay for retiree health insurance (with no minimum deductible requirements), Medicare expenses, prescription drugs, and long-term care services, among other retiree health care expenses.
- Upon death, HSA ownership may be transferred to the spouse on a tax-free basis.

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## A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

### Providing Help for Rural Hospitals

- The quality of health care patients receive in New York City should be no different than the care they receive in Laramie, Wyoming. The size of the city should not dictate the quality of care.
- The bipartisan Medicare prescription drug plan represents **the most generous package ever to rural health providers.**
- Large, urban hospitals have been paid a higher reimbursement rate than other hospitals since 1983. Under the skewed formula for hospital reimbursements, rural and suburban hospitals receive a lower reimbursement than urban hospitals.
- The differential between urban and rural/suburban hospitals is not justified by the differences in costs. This discrepancy is unfairly hurting rural hospitals, health care providers, and all patients that live in rural areas.
- The House plan equalizes these payments so that rural and suburban hospitals receive billions in much-needed relief over the next decade.
  - Continued standardized amounts of assistance without pause.
  - Increased help for DSH rural and small urban hospitals—hospitals that serve a disproportionately high share of low income patients.
  - Adjusted payments to low volume hospitals to provide more equitable reimbursements for health care costs.
  - Greater flexibility for rural and small urban hospitals to have more graduate medical residents providing better care to patients.
- This provision means that rural and suburban hospitals, in states like Iowa and North Dakota, will be able to provide better health care to America's seniors and families.

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## **A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE**

### **Improving Medicare for Future Generations**

*Courtesy of the Speaker's Rx Action Team*

*Medicine is on the cutting-edge of the 21<sup>st</sup> Century. It's time to bring Medicare into the 21<sup>st</sup> Century as well. The bipartisan Medicare prescription drug plan implements the much-needed modernizations to Medicare through use of competitive forces and preventive health measures, which will reduce costs and save Medicare for future generations.*

#### ***Health Savings Accounts:***

- Dramatic shift toward a private-payer health care system by allowing all Americans—regardless of income level—to accumulate health dollars tax-free.
- Allow individuals control over their own health care dollars in order to make better medical choices and hold down skyrocketing health care costs.
- Contributions are pre-tax and made by individuals, employers and families.
- Allow annual tax-deductible contributions up to \$2,500 for singles and \$5,050 for families. Those 55 and older can make catch-up contributions up to \$1,000.
- Tax-free savings/interest are portable, from job-to-job and into retirement.
- Money saved can be carried forward year to year to pay for qualified health expenses over one's lifetime, such as insurance premiums and deductibles, prescription drugs, as well as long-term care services and insurance.

#### ***Preventive Care & Disease Management:***

- Health care has advanced significantly since Medicare was created in 1965, and life-saving drugs cost-effectively treat patients thru preventive care and disease management.
- This package switches the focus of Medicare from *reactive* disease treatment to *proactive* disease prevention.
- 21<sup>st</sup>-Century medicine can prevent, preempt and predict illnesses through advanced screenings and innovative tests.
- Example: under the plan, a senior with diabetes will be more likely to keep the illness—and the costs associated with it—under control by taking Glucophage (monthly cost of about \$30) rather than waiting for a renal kidney failure hospitalization (cost: \$6,700).
- Prescription drugs help save the lives of seniors and control costs in Medicare system.

-Page 1 of 2-

### ***More Choices for Cost-Effective, Free-Market Health Care Delivery:***

- With the bipartisan package, Medicare beneficiaries have the ***right to choose the health care plan*** that's best for them: traditional fee-for-service, managed care or preferred provider organizations. Major step so Baby Boomers have choices and a cost-effective Medicare in 21<sup>st</sup> Century.
- Seniors who receive and enjoy employer coverage can chose to continue to receive such benefits.
- The package provides ***\$18 billion of tax relief incentives to employers*** so they maintain coverage.

### ***Controls Costs through Dynamic Reforms:***

- ***Means Testing Medicare Part B Premium*** requires those with higher incomes (singles/above \$80,000 & couples/above \$160,000) to pay higher premiums. This is the first time the cost-containing principle of means testing would be included in Medicare.
- ***Part B Deductible Indexed to Inflation*** after being increased to \$110 in 2005. Another first for Medicare to help reduce government expenditures.
- ***Premium Support Demonstration Project*** requires traditional Medicare to compete with private plans in six Metropolitan Statistical Areas.
- Relies on ***Free-Market Competition & Consumer Choice*** to deliver a Medicare drug benefit beginning in 2006, with consumers paying more out-of-pocket if they choose more expensive coverage. Another Medicare first and a model for future reform.
- ***Cost Containment*** requires Presidential and Congressional action if general revenue contributions to Medicare exceed 45% of program spending. Importantly, this is a permanent cap and covers new benefits or expansions added in the future by the President or Congress.

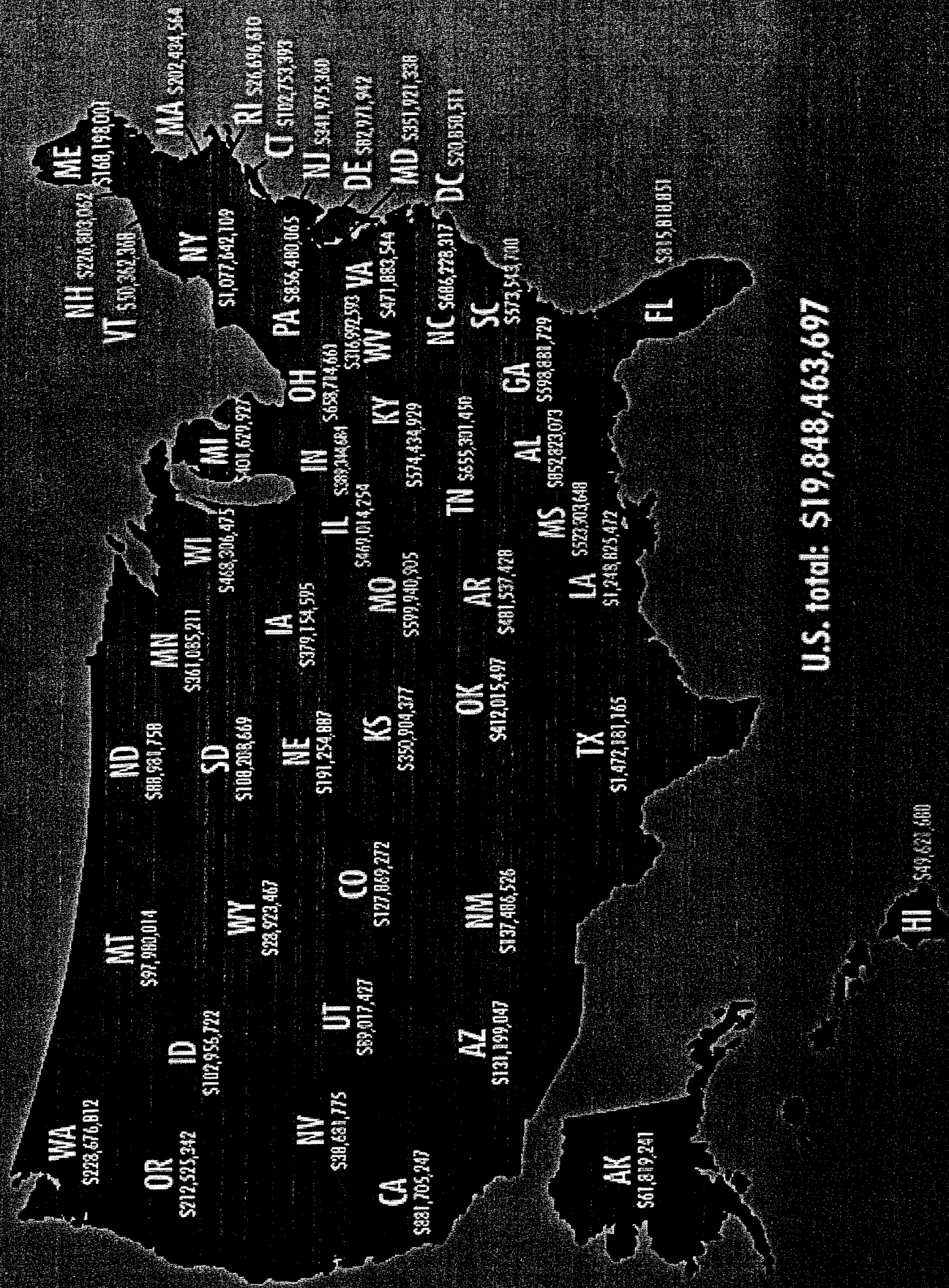
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**U.S. total: 4,713,366**

| State | Health Care Workers |
|-------|---------------------|
| WA    | 82,223              |
| OR    | 51,266              |
| ID    | 18,331              |
| MT    | 17,956              |
| ND    | 19,961              |
| SD    | 18,167              |
| WY    | 8,170               |
| NV    | 19,862              |
| UT    | 30,827              |
| CA    | 401,958             |
| AZ    | 56,680              |
| NM    | 23,322              |
| OK    | 56,157              |
| AR    | 46,987              |
| LA    | 86,740              |
| TX    | 293,396             |
| MS    | 52,563              |
| AL    | 76,230              |
| GA    | 129,635             |
| SC    | 63,957              |
| NC    | 136,739             |
| MD    | 79,948              |
| DE    | 13,401              |
| VA    | 96,424              |
| WV    | 39,409              |
| OH    | 226,183             |
| IN    | 112,798             |
| IL    | 232,047             |
| IA    | 65,931              |
| MO    | 118,654             |
| KS    | 47,277              |
| NE    | 38,874              |
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| VA    |                     |

Source: Health Forum, 2001 AHA Annual Survey of Hospitals

# Medicare Conference Report Benefit to Hospitals by State



Source: AHA



# States Win Under Conference Agreement Preventing Access Meltdown for Medicare Patients



**Pass the Medicare Prescription Drug Bill**

